



# ITALY

## The Pet Products Market Opportunity for U.S. Exporters

### Summary

The Italian pet market has recorded the highest growth rates in Europe over the past several years. At the same time, the market remains far from saturated. Research based on industry and trade show sources shows that the roles pets play in Italy has become more important in recent years. As a result, pet ownership in Italy is on the increase, making it the fourth highest in Europe, after the United Kingdom, Germany and France, which has led to the development of market for pet products that is strong and growing.

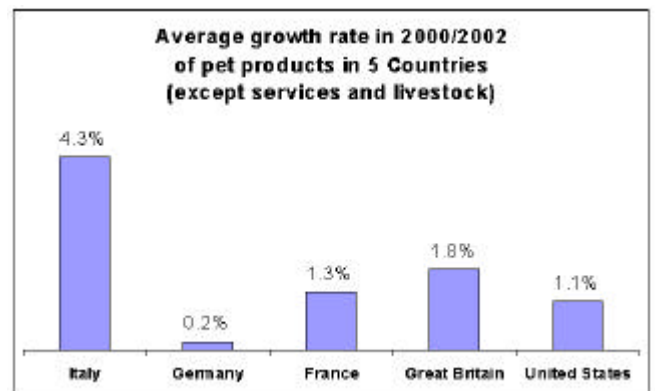
Italy has a population of 58 million people, and its pet population is estimated to be almost 60 millions. The pet products market in Italy was estimated to be about \$2.9 billions in 2002 (Euro 3.08 billions). In that year, pet products sales increased by 5 percent over the previous year. Trade sources have forecast increases of the same magnitude in 2003 and 2004, with this upward trend continuing over the next few years.

Imports play a major role in this market especially in the pet food sector – with over one third of the total market. Over 50 percent of pet food and 20 percent of pet accessories are imported.

### Market Overview

In the 2000-2002 period, as already in the previous two years, the Italian pet products market proved to be the most dynamic in all European Community with the highest average annual growth rate of 4.3%.

Since 1990, the Italian pet products market has expanded by over 70%, reaching \$2.9 billions in 2002. This increase is definitely higher – more than double – than the growth of major European countries, where the pet market has already reached mature dimensions.



### The leading factors of this Italian growth are the following:

- A progressive reduction of home-cooked food for pets
- The increasing importance of the role of pets in the Italian families
- The pro-active role of distribution, both in the grocery channel – supermarkets and hypermarkets – and the specialized pet shops, which are all extending space devoted to pet products, becoming an important incentive to purchasing.

In only the last ten years, the number of pets in Italy has increased considerably. In 2002, the number of pets kept in Italian households was around 60 millions. It is estimated that about half of Italian households (almost 10 million) keep dogs, cats, birds, fish, or other small animals, one family out of four owns at least one dog or one cat.

Italian Pet Population	1998	2000	2002
dogs	6,250,000	6,800,000	6,900,000
cats	7,000 000	7,200,000	7,400,000
birds	13,000,000	13,000,000	13,000,000
rodents	1,200,000	1,800,000	1,800,000
reptiles	900,000	1,000,000	1,400,000
ornamental fish *	28,000,000	29,000,000	29,000,000
<b>Total</b>	<b>56,350,000</b>	<b>58,800,000</b>	<b>59,900,000</b>

*\*Including freshwater and seawater fish (kept in 550,000 tanks).*

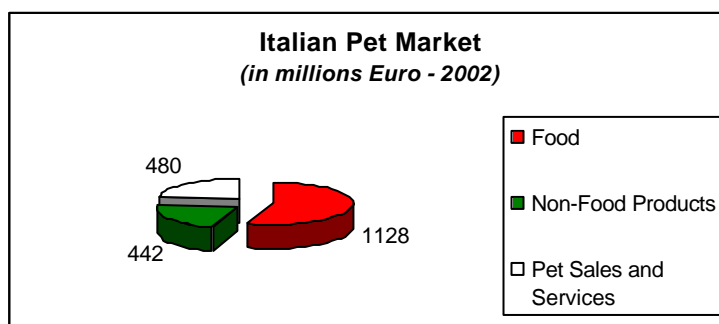
The major reason for this growth is that the role of pet in Italy has changed. Pets living in households have come to be considered as real friends, and even as psychological aids. This new role has several causes: a lower birthrate, change in the family structure, higher number of singles, increase in regard for animals, longer average life spans (pets are often a reason to live for elders).

COUNTRY	POPULATION (millions of inhabitants)	PET PRODUCTS (millions of \$)	AVERAGE MARKET GROWTH RATE (between 2000 and 2002)
ITALY	58	2,900	4.3%
GERMANY	83	3,000	0.2%
FRANCE	60	3,000	1.3%
UK	60	4,200	1.8%
USA	281	19,900	1.1%

**Exchange rate \$1= 1.06 Euro**

The overall pet product market can be broken down into the following segments:

- 1. PET FOOD
- 2. NON-FOOD PET PRODUCTS
- 3. PET SALES AND SERVICES



The table below gives a general overview of the market in Italy in the 2000-2002 period.

	<b>YEAR 2000</b> (Euro Millions)	<b>YEAR 2000</b> (\$ Millions**)	<b>YEAR 2002</b> (Euro Millions)	<b>YEAR 2002</b> (\$ Millions**)	<b>Annual Average Increase</b>
<b>Food</b>	1,011	928	1,128	1,064	5.6%
<b>Non-food products</b>	431	395	442	417	1.3%
<b>Pet sales healthcare &amp; veterinary services</b>	447	410	480	453	3.7%
<b>Total Market**</b>	1,889*	1,733*	2,050*	1,934*	4.2%

**Source: CENTRO STUDI ZOOMARK**

**(\*) Note amounts are "ex factory" for food, accessories, pharmaceutical products and sanitary products, referred to sales to retailers and other distributors. The amounts related to health and veterinary expenses as well as pet sales and services are based on customer prices. Pet sales is calculated through a mixed method as part of the sale is directly carried out by the breeder/importer.**

<b>(**)</b>		<b>YEAR 2000</b>	<b>YEAR 2002</b>
	<b>Exchange rate \$1=</b>	<b>1.09 Euro</b>	<b>1.06 Euro</b>

The following figures show as pet food is still taking the lion's share of the market (55%), followed by pets selling and veterinary and services expenses (23.4%), and non-food products, pet care supplies/accessories (21.6%).

<b>PET FOOD</b>	<b>NON-FOOD</b>	<b>HEALTHCARE&amp;SERVICES</b>	<b>TOTAL</b>
55.0%	21.6%	23.4%	100

### **Breakdown of the total Italian pet products market by pet type**

	<b>YEAR 2000</b> (Euro Millions)	<b>YEAR 2002</b> (Euro Millions)	<b>Annual Average Increase</b>
Dogs	552*	625	6.4%
Cats	606	641	2.8%
Fish	153	161	2.8%
Birds	88	92	2.1%
Rodents	20	24	8.4%
Reptiles	5	6	8.1%
Others	18	21	10.0%
All species	447	480	3.7%
<b>TOTAL MARKET*</b>	1,889*	2,051*	4.2%

**Source: Centro Studi Zoomark**

**(\*) Note all the values refer to sales to retailers and other distributors.**

### **1. PET FOOD MARKET**

	<b>YEAR 2000</b> (Euro Millions)	<b>YEAR 2002</b> (Euro Millions)	<b>ANNUAL AVERAGE INCREASE</b>
Dogs	355	420	8.7%
Cats	475	506	3.2%
Fish	71	81	7.2%
Birds	75	79	2.4%
Rodents	14	17	10.0%

Reptiles	3	4	10.0%
Others	18	21	10.0%
<b>TOTAL FOOD MARKET*</b>	1,011*	1,128*	5.6%

**\*Note all the values refer to sales to retailers and other distributors.**

The most important market segment for pet products is food for dogs and cats. In the year 2002, pet food consumptions for dogs and cats in Italy reached 926 million Euro ex-factory, with respectively a 8.7% and 3.2% average annual increase over 2000.

During the period between 2000 and 2002, the most dynamical segments of the pet food market proved to be those concerning snacks for dogs and cats confirming considerable growth rates, together with dry food for dogs. In the cat food, particularly dynamic segments of this market are those dealing in single-portion trays and snacks, which are showing remarkable growth rates, close to 30% in all distribution channels.

## 2. NON - FOOD MARKET

Market values, divided by pet segments, are the following:

	<b>YEAR 2000</b> (Euro Millions)	<b>YEAR 2002</b> (Euro Millions)	<b>Annual Average Increase</b>
Dogs	197	205	2.1%
Cats	131	135	1.5%
Fish	82	80	-1.1%
Birds	13	13	0.0%
Rodents	6	7	10.0%
Reptiles	2	2	10.0%
<b>TOTAL NON - FOOD MARKET*</b>	431*	442*	1.3%

**\*Note all the values refer to sales to retailers and other distributors.**

Following is the breakdown of the NON-FOOD market by product category:

<b>PET TYPE</b>	<b>PRODUCT CATEGORY</b>	<b>YEAR 2002</b> (Euro Millions)
Dogs	Accessories (leashes, bowls, beds, chew items, etc.)	16
	Houses, cradles, technical equipment	7
	Care products	182
Cats	Litter	59
	Accessories (carriers, toys, scratching posts, etc.)	16
	Care products	60
Fish	Aquariums	36
	Accessories and other non-food products	44
Birds	Cages and other accessories	13
Rodents	Cages and other accessories	7
Reptiles	Terrariums and other accessories	2
<b>TOTAL NON - FOOD MARKET*</b>		442*

**\*Note all the values refer to sales to retailers and other distributors.**

### 3. THE PET SALES AND SERVICES MARKET

	<b>YEAR 2000</b> <i>(Euro Millions)</i>	<b>YEAR 2002</b> <i>(Euro Millions)</i>	<b>Annual Average Increase</b>
Veterinary Services	217	227	4.9%
Other services	81	98	10.0%
Pet sales	149	155	2.0%
<b>TOTAL PET SALES AND SERVICES MARKET</b>	447*	480*	3.7%

*\*The amounts related to health and veterinary expenses as well as pet sales and services are based on customer prices.*

The market for pet care and services -- which includes pet sales, anti-parasite and pharmaceutical products, veterinary visits, vaccines and surgical operations, specialized literature, boarding houses, training, grooming, pet shows, associations, exhibitions -- amounts to over Euro 480 millions in sales (\$453 millions) in 2002. It has seen a remarkable annual average increase of 3.7% over 2000 as a result of the growing attention devoted to pets. Pet owners are prepared to spend significant sums of money to ensure that pets remain healthy and in good condition.

In recent years, the increase in the use of pharmaceutical products and health products for pets has been the result of specialization in the industry, which now offers specific products for pets only, and has led to the reduction in use of such products intended for humans. This sector is particularly dynamic, with industry investing extensively in advanced research that creates products to improve the life and welfare of pets.

#### Market Trends

##### The distribution structure

Below are some figures concerning the 2000 pet food sales per distribution channel, in Italy (shares in volume):

<b><i>Distribution channel</i></b>	<b><i>Share of sold pet food</i></b>
Hypermarkets	16.6%
Supermarkets	32.8%
Discount shops	2.6%
Pet shops	23.3%
Food shops	7.8%
Agricultural retails, garden centres and do-it-yourself stores	12.9%
Direct sales (by breeders, kennels, communities)	4.0%

- The pet food leading channel: Hyper and supermarkets

In recent years, the grocery channel, that is hyper and supermarkets, discount and other food shops has clearly established in food distribution for dogs and cats and cat litter.

Currently, the large distribution is rapidly growing also in the sales of accessories and other complementary items, like for instance small equipped aquariums.

- A developing channel: the veterinary clinic

The recent trade reform and the subsequent sales liberalization of pet food and other items should consolidate, in few years this new distribution channel in Italy, which rely on around 5,600 veterinary clinics currently existing on the national territory. This new distribution channel will increase the sale of highly-specialized food and nutritional supplements to integrate medical veterinary treatments.

- An increasingly important channel: The agricultural retails

In Italy a few thousand sales points are included in a category named "agricultural retails and other non-specialised sales points". The current agricultural retails' trend is to widen the range and sales of pet products in order to oppose a decline in the barnyard animal product market and agriculture, as they can rely on qualified personnel with a nutrition knowledge already acquired when selling products for animals used for profit.

- A growing distribution channel: The French-style garden center

According to successful models seen in Northern Europe, and in particular on the advanced French market, many of these sales points (about 5,000) have recently begun to propose many more products ranging from gardening items to less directly complementary products, such as for instance food and accessories for pets.

- Other distribution channels

Another recent phenomenon is the expansion of franchising outlets and the establishment of new franchising operations. Additionally, some pet shop associations are organizing to create "buying groups" that increase their members' purchasing power. In addition, in order to offer more complete services, many shops have established business relationships with veterinary clinics, groomers and kennels.

Finally, new, distribution channels such as home shopping through television, mail order or the internet, have not made significant inroads in the Italian market.

## **Sales Prospects**

In the next future years, the most dynamical segments of the pet products market are expected to be Dog Food and Pet Care.

U.S. products that currently have the best potential, as identified through our trade interviews conducted for this report, are:

- Food for dogs and cats
- Chew toys
- Snacks and treats
- Aquariums, Terrariums
- Beds for dogs and cats
- Climbing furniture for cats
- Grooming aids for dogs and cats
- Health treatments (small animals)
- Toys for dogs rawhide
- Transporters
- Tropical fish and dry fish food

## **Market Access**

On the whole, the Italian import climate is favorable to foreign exporters. There are no limitations to the importation of foreign (including American) pet products. Import procedures are governed by international trade regulations.

For pet food, however, there are some restrictions. As a member of the European Union (EU), Italy adheres to EU import requirements and tariffs for pet food. U.S. Exporters should make sure that the composition of their pet food complies with the EC directives concerning additives and undesirable substances in foodstuffs. Pet food specifications are established by both the European Union and national authorities. EEC Directives 390/94, 199/97, and 96/449 are applicable.

The U. S. Department of Agriculture FAS (Foreign Agricultural Service) office at the U.S. Mission to the EU follows the legislative developments taking place in the European Union on a daily basis. As developments take place, information relevant to exporters is published at <http://www.useu.be/agri/usda.html>. If you wish to be updated automatically on changes, please subscribe to "What is new on the USEU Website" by sending an e-mail to [BransH@fas.usda.gov](mailto:BransH@fas.usda.gov).

Pet food exporters in the U.S. wishing to obtain more detailed information should make one of their first contacts the Foreign Agricultural Service of the U.S. Dept. of Agriculture.

Imports from the U.S. are subject to customs duties (ranging from 5 to 15 percent for pet products and from 12 to 35 percent for pet food depending upon the type of ingredients contained) and to the value added tax (20 percent on the c.i.f. price.)

Information on customs duties on pet foods may be obtained from the Foreign Agricultural Service at the U.S. Embassy in Rome:

Tel. 01139-06-4674-2362

Fax: 01139-06-4788.7008

E-mail: [agrome@usda.gov](mailto:agrome@usda.gov)

***Further information regarding duties can be obtained from:***

**Direzione Regionale Dogane Italiane**

Via Valtellina, 1

20159 Milano

Tel. (+39)-02-699131

Fax (+39)-02-6071811

E-mail [dcd\\_lombardia@finanze.it](mailto:dcd_lombardia@finanze.it)

<http://taric.finanze.it/taric/>

**Upcoming Trade Shows: ZooMARK 2005**

In Italy, trade fairs play a major role in product marketing. U.S. companies seeking to penetrate the Italian market are encouraged to exhibit in, or at least to visit, a specialized Italian fair. For U.S. manufacturers and exporters of pet products wishing to sell in Italy (and in the rest of Europe) it is important to exhibit at the Italian major international pet products fairs. Exhibiting at fairs can bring direct sales, but more significantly, can be one of the best ways to test the market's receptivity to a firm's products and to assess the strength and scope of the competition. It also helps companies establish contact with others "in the trade" and, from these contacts, a U.S. firm can gather substantial valuable information about marketing pet products in Italy.

ZOOMARK, a biennial event, is the leading Italian specialized exhibition of products and accessories for pets. Since the first show in 1985, it has grown in size and stature, making it today the largest show of its kind in Italy, the second most important pet exhibition in Europe, and an important meeting-place for sellers and buyers of pet products from around the world. ZOOMARK provides a unique opportunity for American companies to crack the Italian market and establish relationships with major distributors and potential business partners in Italy and throughout the rest of Europe.

The latest edition of Zoomark International 2003 - the 10<sup>th</sup> exhibition of products and accessories for pets – held April 11-14, 2003 in Bologna, Italy, confirmed its strong international appeal. One of the world's premier trade shows for pet products and accessories, Zoomark boasted 512 exhibitors, on an exhibit surface covering 43,700 square meters in total. Zoomark International 2003 involved nearly every Italian manufacturer of pet products, in addition to other leading international companies in the pet sector. Products exhibited at Zoomark included pet foods and animal feed, feed fillers, cages and accessories for dogs, cats, birds, fish, rodents and other pets, leashes, harnesses, aquariums, equipment for veterinary clinics, pet shop furnishings, specialized publications, and healthcare products. The exhibitors of Zoomark International 2003 came from all parts of the world: 38% of them from outside of Italy.

## **ZOOMARK INTERNATIONAL - International Pet Products Exhibition**

**Site and Date:** Bologna, May 5 -8, 2005, (biannual exhibition)

**Organizer:** Vimax srl, Via Rezzonico 23 - 22100 Como

Tel: +39-031-301059 Fax: +39-031-301418 E-mail: [vimax@zoomark.it](mailto:vimax@zoomark.it) <http://www.zoomark.it>

At ZOOMARK International 2003, for the third time, the Commercial Service office in Milan (CS Milan) with the close cooperation of the Foreign Agricultural Service office in Rome (FAS Rome) and the American Pet Products Manufacturers Association (APPMA) organized a U.S. Pavilion. 24 U.S. companies participated to the U.S. Pavilion. The pavilion attracted considerable attention, reflecting the growing market for pet products in Italy and the attractiveness of U.S. goods in Italy. A broad range of services were offered to the U.S. exhibitors, including extensive marketing of their presence at the exhibition, one-on-one appointments, interpreters, a fully equipped business center as well as a business lounge serving sandwiches and refreshments.

This exhibition proved to be an excellent venue for the many American firms that participated in the U.S. Pavilion at the show. The overall attendance at the show was 20,000 trade visitors from 71 countries. The U.S. pavilion at ZOOMARK 2003 generated 22 success stories, as measured by off-the-floor sales made and number of agreements signed.

Prospective U.S. exporters of pet products are strongly encouraged to explore the Italian market. The Commercial Service in Italy, the export-promoting arm of the U.S. Department of Commerce, has a variety of services to help American exporters interested in the Italian market.

***Excellent trade promotion opportunities and services are available to U.S. companies wishing to export their products.*** The Commercial Service (CS) in Italy can help U.S. exporters in a number of ways, which may include locating and evaluating Italian distributors, agents and purchasers; obtaining Italian market information and others. Among the services offered, one that the Commercial Service in Italy has found to be of particular value to U.S. companies is the Gold Key Service. The Gold Key is a custom-tailored service, designed for U.S. executives planning to visit Italy. This program offers inexpensive, flexible, customized assistance to U.S. companies seeking to enter the Italian market. It includes hotel reservations at discounted rates; survey of potential agents, representatives or partners; telephone campaign; hand-delivery of client's product literature; follow-up calls; set-up and confirmation of appointments with interested local executives; preparation of agenda and faxing it to the client; background information on appointments; briefing/debriefing with Commercial Service's Commercial Specialist regarding trade practices in Italy.

***In addition, Commercial Service offers assistance in participating to the major trade events.*** The "U.S. Pavilion at ZOOMARK 2005", the leading Italian pet products exhibition, scheduled for May 5 -8 2003 will be one of these opportunities. For more information on this event and opportunities in the Italian pet products market, firms should contact:

Hans Amrhein, Principal Commercial Officer

Simonetta Busnelli, Commercial Specialist

U.S. Commercial Service

American Consulate General - Milan

PSC 59, Box M

APO AE 09624

Tel: +39/02/626-88505 (direct) or +39-02-626-8851 (main) – Fax: +39/02/659-6561

E-mail: [Milan.Office.Box@mail.doc.gov](mailto:Milan.Office.Box@mail.doc.gov) or [Simonetta.Busnelli@mail.doc.gov](mailto:Simonetta.Busnelli@mail.doc.gov)

***In the United States***, exporters can also contact the nearest Export Assistance Center of the U.S. Department of Commerce for assistance.